

ECONOMIC SECTOR

CHAPTER II ECONOMIC SECTOR

2.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2016 deals with the findings on audit of the State Government units under Economic Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under Economic Sector during the year 2015-16 are given in the table below:

Table 2.1.1

(₹ in crore)

Sl. No.	Name of the departments	Total budget allocation	Expenditure
1	Animal Husbandry, Livestock, Fisheries and Veterinary Services	62.44	45.30
2	Buildings and Housing	82.29	40.05
3	Commerce and Industries	56.24	51.11
4	Co-operation	16.14	15.59
5	Energy and Power	321.04	253.69
6	Food Security and Agriculture Development	81.78	49.39
7	Forest, Environment and Wildlife Management	215.16	85.30
8	Horticulture and Cash Crops Development	120.90	112.93
9	Irrigation and Flood Control	116.11	35.26
10	Mines, Minerals and Geology	3.75	3.70
11	Roads and Bridges	294.85	190.01
12	Rural Management and Development	353.14	265.94
13	Tourism and Civil Aviation	156.91	109.67
14	Transport	51.42	48.74
15	Urban Development and Housing	131.00	80.13
16	Water Security and Public Health Engineering	80.43	55.44
	Total	2,143.6	1,442.25

Besides the above, the Central Government has been transferring funds directly to the implementing agencies under the Economic Sector. The major transfers for implementation of flagship programmes of the Central Government are detailed below:

Table 2.1.2

(₹ in lakh)

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing agency	Funds transferred during the year
1	Forest, Environment and Wildlife Management	North East Council	State Forest Development Agency	169.88
		National Medicinal Plants Board		282.56
		Total		452.44

Source: Finance Accounts

2.2 Planning and conduct of audit

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls, etc.

After completion of audit of each unit on a test check basis, Inspection Reports (IRs) containing audit findings are issued to the heads of the departments. The departments are to furnish replies to the audit findings within one month of receipt of the IRs. Whenever replies are received, audit findings are either settled based on reply/action taken or further action is required by the audited entities for compliance. Some of the important audit observations arising out of these IRs are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the Legislature.

Test audits were conducted involving expenditure of ₹ 2,226.18 crore (including expenditure of ₹ 1,976.38 crore of previous years) of the State Government under Economic Sector. The details of year-wise break-up is given in **Appendix 2.2.1**. This Chapter contains one Performance Audit on 'Jawaharlal Nehru National Urban Renewal Mission' and six Compliance Audit Paragraphs as given below:

URBAN DEVELOPEMENT AND HOUSING DEPARTMENT

2.3 Jawaharlal Nehru National Urban Renewal Mission

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched on 3 December 2005 with the objective of reforms driven fast track development of cities across the country with focus on sustainable development of physical infrastructure in cities, including development of technical and management capacity for promoting holistic growth with improved governance. The Mission period was seven years, i.e. upto 2012 but was being implemented upto 2016. The Mission comprises of four components - Urban Infrastructure and Governance (UIG), Basic Services to the Urban Poor (BSUP), Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) and Integrated Housing and Slum Development Programme (IHSDP).

In Sikkim, Urban Development and Housing Department (UDHD) was the State Level Nodal Agency (SLNA) which implemented the schemes under JNNURM. Other implementing agencies were Water Security and Public Health Engineering Department (WSPHED) and Transport Department (Sikkim Nationalised Transport (SNT) Division). UDHD implemented BSUP, IHSDP and UIG projects except procurement of buses which was being implemented by the Transport Department and WSPHED implemented UIDSSMT projects. Programme Management Unit (PMU) and Project Implementation Unit (PIU) had not been constituted in the State of Sikkim.

Performance Audit on implementation of JNNURM in Sikkim for the period 2011-12 to 2015-16, spanning across three departments was conducted during April-August 2016 through test check of records in UDHD, WSPHED and Transport Department (SNT Division). Audit of these departments disclosed that the scheme as a whole was characterised with improper planning. It lacked survey and investigation to determine

availability of land for the Scheme, requirement of infrastructure, selection of beneficiaries, etc. which resulted in projects remaining incomplete beyond the scheduled date of completion and to incomplete and delayed implementation of reforms. Gap analysis for requirement of infrastructural development was not ensured. Community Participation Fund (CPF) had not been constituted/introduced.

The Mission was further affected due to lack of monitoring of the projects. There was absence of monitoring at the State level. The District Level Review and Monitoring Committee (DLRMC) had not been constituted. Therefore, cases of incorrect financial reporting were not detected. The following were the main highlights of the Audit.

Highlights

The pace of reforms was slow defeating the objective of JNNURM, i.e. reforms driven fast track development. Due to the slow progress of reforms, GoI deducted ₹ 8.70 crore from the projects under JNNURM.

(Paragraph 2.3.9.1)

There was irregular diversion of fund amounting to ₹ 203.86 lakh for repair and works in other areas and purchase of vehicles beyond the ambit of the scheme.

(Paragraph 2.3.9.5(vii))

Under JNNURM, 13 projects amounting to ₹ 212.87 crore were sanctioned. However, only four projects had been completed. Not even a single project was completed in scheduled time due to various reasons such as non-availability of land, forest clearance, delay in supply of stock material, earthquake, etc.

(Paragraph 2.3.9.6)

The implementation of the project meant for the Mission city in non-Mission city defeated the very objective of the fast track development of Mission city.

(Paragraph 2.3.9.7(ii)(a))

51 Dwelling units were not allotted to the identified beneficiaries as per guidelines and the Department had not verified the socio-economic conditions or livelihood profile of those allottees.

(Paragraph 2.3.9.7(iii)(a))

The State Level Nodal Agency could not produce any records on monitoring. District Level Review and Monitoring Committee was not constituted. There were instances of incorrect reporting to GoI and discrepancy in Returns.

(Paragraph 2.3.9.8)

2.3.1 Introduction

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched in Sikkim in the year 2007 with the objective of reforms-driven, fast track planned development of identified cities with focus on efficiency in urban infrastructure, service delivery mechanisms, community participation and accountability of the State/Urban Local Bodies (ULBs) towards citizens. The State and the ULBs were required to accept

implementation of an agenda of reforms which consisted of various mandatory and optional reforms within the Mission period. The main aim of the reforms was to provide an enabling environment for the growth of the cities by enhancing effective urban service delivery and civic infrastructure through improvements in urban management, land management, stake holders' participation in local governance, etc.

Keeping in view the rapid urbanisation, the requirement of infrastructure (markets, proper housing, water supply, sewerage systems and treatment plants) was imminent. It was against this background that Performance Audit (PA) on JNNURM was conducted to assess the efficiency and effectiveness in its implementation.

There were eight notified towns in the State of Sikkim i.e. Gangtok, Singtam and Rangpo in the East, Mangan in the North, Jorethang, Naya bazaar and Namchi in the South and Gyalshing in the West which would come under the urban area and therefore, under the purview of JNNURM. The population living in the slums in the eight notified towns of Sikkim was 10,793.

Gangtok, the capital of Sikkim, had been taken up as Mission city for implementation of JNNURM {(sub-components Urban Infrastructure and Governance (UIG) and Basic Services to the Urban Poor (BSUP) under Category C (State Capitals and other cities/UAs of religious/historic and tourist importance)}. In addition to this Mission city, Mangan, Singtam, Rangpo, Melli and Namchi had been selected for implementation of Integrated Housing and Slum Development Programme (IHSDP) and Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT).

2.3.2 Funding pattern

The State of Sikkim is included under the category of North Eastern States. As such, funding pattern applicable to the cities where JNNURM is being implemented in Sikkim was as under:

Table 2.3.1

(in per cent)

Grant		ULB or Parastatal share/loan from financial institution	BSUP	
Centre	State		Central share grant	State/ULB/Parastatal share including beneficiary contribution
90	10	Nil	90	10

2.3.3 Scope of Audit

PA on JNNURM covering the period from 2011-12 to 2015-16, across three departments was conducted during April-August 2016 through test check of records in UDHD, WSPHED and Transport Department (Sikkim Nationalised Transport (SNT) Division).

2.3.4 Audit objectives

The PA was conducted with the objective of assessing whether:

- Reforms were implemented effectively;
- There was a comprehensive and reliable assessment and identification of the requirement and infrastructural development of cities;
- Individual projects were planned properly and executed economically and efficiently and achieved their intended objectives;
- Financial control was exercised adequately;
- Mechanism for monitoring and evaluation was adequate and effective.

2.3.5 Audit criteria

Audit findings were benchmarked against the criteria in the following documents:

- Guidelines, instructions/circulars/orders issued by Ministry of Urban Development (MoUD), Ministry of Housing, Urban and Poverty Alleviation (HUPA) and Ministry of Finance (MoF);
- Memorandum of Agreement (MoA) and Detailed Project Report (DPR) of selected projects;
- City Development Plan (CDP) of selected city;
- Sikkim Public Works Code and Manual;
- Sikkim Financial Rule.

2.3.6 Audit methodology

The PA commenced with an Entry Conference (17 May 2016) with the representatives from UDHD, WSPHED and Transport Department (SNT Division) wherein audit objectives, scope of audit, audit methodology and audit criteria were explained. Audit process included issue of requisitions for information/data/records, scrutiny of records and analysis of information/data followed by framing of audit observations. Besides, joint physical verification by Audit and departmental officials of selected projects and interview of housing beneficiaries was also conducted.

For sample audit scrutiny, eight¹ out of 13 projects were selected, i.e. 62 *per cent* of the sanctioned projects. The details of selection of sample were as follows: two projects out

¹ Under: (A) **UIG** (i) Upgradation and Modernisation of Raw Water Main and WTP for Greater Gangtok Water Supply System (ii) Rehabilitation of sewerage systems in Gangtok. (B) **UIDSSMT** (i) Augmentation of Mangan Water Supply Scheme, North Sikkim (ii) Setting up of sewerage facility in Jorethang Town and surrounding areas (iii) Setting up of sewerage facility in Melli Town and surrounding areas. (C) **BSUP** (i) Integrated Housing and Slum development at Old Slaughter House Area-Ph-I (ii) Integrated Housing & Slum Development of Notified Slum area at Rangpo-Gangtok-I and (D) **IHSDP** Integrated Housing & Slum Development for notified slum area of Singtam.

of four projects under UIG, three projects out of five projects under UIDSSMT, two projects out of three projects under BSUP and one project under IHSDP were selected using Probability Proportionate to Size Without Replacement method considering the sanctioned cost using random table, except IHSDP project as it was a single project. The draft Report was issued to the Department in September 2016. Audit findings were discussed in an Exit Conference (09 November 2016) with the Secretaries of the concerned departments and the report was finalised duly taking into consideration the views of the departments suitably incorporating the replies received (November 2016) from the departments.

2.3.7 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the UDHD, WSPHED and the Transport Department, Government of Sikkim (GoS) in providing necessary information and records for audit.

2.3.8 Organisational set-up

At the State level, JNNURM was to be coordinated by State Level Steering Committee (SLSC) headed by the Chief Minister. It would also review and prioritise proposals for inclusion in the JNNURM. The SLSC would be supported by a Nodal Agency that would invite project proposals, appraise them, manage and monitor the JNNURM. A Programme Management Unit (PMU) at the State level was to be formed to strengthen the capacity of State Level Nodal Agency (SLNA) to manage and implement the composite array of tasks associated with JNNURM. The objective of PMU was to assist the SLNA in discharging their roles and responsibilities assigned as per the JNNURM guidelines. The Project Implementation Unit (PIU) would supplement and enhance the existing skill in coordination with Nodal Agency to enhance the pace and quality of implementation of the scheme.

In Sikkim, UDHD was the SLNA which implemented the projects under JNNURM. Other implementing agencies were WSPHED and Transport Department (SNT Division). UDHD implemented BSUP, IHSDP and UIG projects except procurement of buses which was being implemented by the Transport Department and WSPHED implemented UIDSSMT projects. PMU and PIU had not been constituted in the State of Sikkim. The organisational chart for implementation of the JNNURM in the State was as under:

Chart 2.3.1



2.3.9 Audit findings

2.3.9.1 Implementation of reforms

With the enactment of the 74th Constitutional Amendment Act 1992, ULBs have emerged as an important third tier of Government. The main objective of the reforms under JNNURM was to provide an enabling environment for the growth of the cities by enhancing effective urban service delivery and civic infrastructure through improvements in urban management, land management, financial management and stakeholder participation in local governance.

The State and ULBs were required to initiate reforms in line with the Constitutional Amendment Act, in accordance with the guidelines of JNNURM and as per the tripartite MoA signed between Government of India (GoI), State Government and ULBs.

The MoA in Sikkim was signed by Joint Secretary, Ministry of Urban Development, GoI with the Secretary, UDHD, GoS as the Chairman of Sikkim Urban Development Agency on 13 June 2007. Though the MoA was supposed to be signed by the ULBs, it was signed by Chairman of Sikkim Urban Development Agency due to the fact that the ULBs were formed in the State of Sikkim only in May 2010.

There were 23 reforms that were to be implemented by the State/ULBs/Parastatals as mandated in the JNNURM guidelines which were to be implemented within the Mission period (2005-2012), extended to 2014, which were categorised into 13 mandatory and 10 optional reforms.

There were two sets of mandatory reforms. Core reforms at ULBs level aimed at process re-engineering through deployment of technology to enable more efficient, reliable, timely services in a transparent manner. The other set of reforms were framework related

to State level. Against the 10 optional reforms, two reforms were to be implemented each year within the Mission period.

Out of 23 reforms (13 mandatory and 10 optional reforms), only three reforms (one mandatory and two optional) were achieved. It was also further observed that significant number of 15 reforms (seven mandatory and eight optional) had not been achieved whereas three mandatory reforms were partially achieved. Two reforms were not applicable to Sikkim. The detailed status of reforms as on 31 March 2016 is shown in **Appendix 2.3.1**. Some of the important reforms are highlighted below.

Mandatory reform

- **Reform of Property Tax** so that it could become major source of revenue for ULBs, etc. The UDHD stated that the Property Tax Sub-Committee was working on various modalities of taxation regime. Due to delay in implementation of this reform in Property Tax, ULBs failed to harness one of the major source of revenue.
- **Transferring of all the 18 functions under 12th Schedule to ULBs** under State level reforms was not achieved. Only one function was transferred, two were partially transferred and remaining 15 were not transferred.
- **Enactment of Public Disclosure Law** to ensure preparation of medium-term fiscal plan of ULBs/Parastatals and release of quarterly performance information to all stakeholders. As stated by the ULBs, Public Disclosure Law had not been enacted despite issuance of Notification in 2011. This led to failure in instituting transparency and accountability in functioning of municipalities.

Optional Reforms

- **Revision of Building Bye laws to make rain water harvesting mandatory in all buildings and adoption of water conservation measures.** The Building Construction Regulation, 1991 had been amended incorporating the provision for water harvesting in case of roof top having the plinth area of more than 6,000 sq. ft. However, as per JNNURM guidelines, all the buildings were to provide rain water harvesting.
- **Encouraging Public Private Participation.** No initiative was taken to encourage Public Private Participation during Mission period. The UDHD stated that various projects had been formulated to be taken up in Public Private Participation (PPP) mode. However, only very recently (July 2016), Department informed GoI that they were initiating steps for execution of four projects in PPP mode.

The pace of reforms was very slow thus defeating the objective of JNNURM, i.e. reforms driven fast track development. Due to the slow progress of reforms, the GoI deducted ₹ 8.70 crore for the projects under JNNURM as discussed in succeeding **Para 2.3.9.5(iii)**. Reform achievement (31 January 2014) as posted in the JNNURM website (<http://jnnurm.nic.in/wp-content/uploads/2014/06/2.-Reform-Achievement-Status.pdf>) indicated Sikkim at 30 (i.e. second last) out of 31 States.

2.3.9.2 City Development Plan

A City Development Plan (CDP) was to be prepared by the State/ULBs for every identified Mission city to achieve the objectives of JNNURM. The CDP was meant to be a comprehensive document on planned urban perspective framework for a period of 15-20 years (with five yearly updates) within which the projects were to be identified for every identified Mission city.

CDP for Gangtok was prepared during 2006 incorporating various works like Water Supply and Integrated Fire Fighting Network, Sewerage, Solid Waste Management, Drainage and Landslip Protection, Traffic, Transport, Street Lighting, Tourism and Environment etc. where ₹ 2,217 crore was proposed for executing 15 items of work to be carried out in Urban Areas. However, DPRs for only seven Projects² amounting to ₹ 153.02 crore were prepared and approved. Projects under Drainage, Landslip Protection, Traffic, Street Lighting, Tourism and Environment were not taken up.

The UDHD stated (November 2016) that the investment requirement to achieve the goals projected under these sectors were estimated at ₹ 2,217 crore. This was not the allocation and DPRs were prepared as per availability/allocation of funds. But the fact remained that the UDHD had not explored other source of funding like PPP for development of Mission city.

2.3.9.3 Gap analysis

As per guidelines, the departments are to identify key issues that needed to be addressed and the options that are available to bridge the gap between where the city is going and where it wishes to go.

The records in support of gap analysis for requirement of infrastructural development done by the departments could not be produced to audit which indicated that the analysis was not done. The impact and inference of not conducting the gap analysis for infrastructural requirement was felt in the following cases:

- Melli Sewerage Treatment Plant (STP) was completed in 2013 at a total cost of ₹ 3.41 crore but had not been commissioned as the public had their own septic tank for disposal of sewerage. The sewerage line had also not been connected with the STP.
- Due to non-availability of land, the construction of two STPs at Jorethang and Namchi were not initiated.
- Against the requirement of 263 housing units in Old Slaughter House, Arithang, Gangtok, proposal for only 52 housing units were submitted to GoI and same were already constructed.

² 1) Upgradation & Modernisation of Raw Water Main and WTP for Greater Gangtok Water Supply System; 2) Implementation of E-Governance in the Gangtok Municipal Corporation; 3) Rehabilitation of sewerage systems in Gangtok; 4) Procurement of buses under JNNURM (in two phase); 5) Integrated Housing & Slum development at Old Slaughter House Area-Ph-II; 6) Integrated Housing & Slum development at Old Slaughter House Area-Ph-I and 7) Integrated Housing & Slum Development of Notified Slum area at Rangpo-Gangtok-I.

- In Singtam, there was dire need of housing units as elucidated in succeeding paras whereas the UDHD had executed only infrastructure development (such as roads, drains, fountain, etc.) while leaving the priority items of constructing housing units.

The UDHD stated (November 2016) that the non-Mission towns did not have the gap analysis for all the sectors and the entire town but the DPRs did have all the project suitability and need analysis.

But the fact remained that even if the project suitability and need analysis had been done as stated in the reply, it was not effective which was evident from the deficiencies noticed in the projects mentioned above.

2.3.9.4 Preparation of DPRs

Out of 13 projects taken up under JNNURM four projects were completed and remaining nine projects were ongoing as on 31 March 2016. Three completed and five ongoing projects were taken up for scrutiny under the PA.

Scrutiny of DPRs of eight selected projects revealed the following inconsistencies:

- As per 'Chapter II - Check list for preparation/appraisal of DPR in BSUP' pertaining to the IHSD, Rangpo, the name of the city was shown as Gangtok-Rangpo-I slum areas which was misleading, as Gangtok (Mission town) and Rangpo (non-Mission town) were two separate towns, not even adjacent to each other. The UDHD stated (November 2016) that this issue was also raised by the Ministry on the basis of Central Audit observation and already satisfactorily replied to the Ministry. But the UDHD failed to produce copy of such reply to the Audit and the fact remained that the project for the Mission city was implemented in a non-Mission town. Further, Audit observation is given in **Para 2.3.9.7(ii)(a)**.
- As per the guidelines, the profile of each city was to be prepared. This was not done with due diligence. In case of the IHSD, Rangpo and IHSD, Singtam, the profile of Gangtok town (city social profile, city economic profile, transportation profile, land availability and even the water supply profile) was copied in the DPRs of these two towns (Rangpo and Singtam), garbage disposal profile in respect of Singtam was copied from Rangpo and these proposals were sent to GoI for approval. The GoI approved these two schemes. This indicated that the UDHD applied unplanned approach in preparation of DPR and its preparation was just a mechanical exercise to comply with the conditions of GoI to receive funds. Further, the survey and investigation for water supply, which were the vital components in integrated development of slum areas, were not conducted for the said project. The water in the housing complex constructed under JNNURM project at Rangpo was not suitable for drinking as stated in **Para 2.3.9.7(ii)(c)**.
- As per the guidelines of JNNURM, Project Benefits Assessment (Social Cost-Benefit Assessment) was to be prepared so that the social benefits are maximised. Project Benefits Assessment (Social Cost-Benefit Assessment) was not conducted in any of the selected projects. It was expected that the projects would perhaps

benefit the societies, but the type of societal benefits and societal adverse impacts of the project were not assessed by the departments at the time of preparation of DPRs for minimising the adverse impact and maximising the societal benefits. In its reply (November 2016), the WSPHED stated that the assessments have been considered during the preparation of the DPRs since large number of their projects had been checked and vetted by Central Public Health and Environmental Engineering Organisation (CPHEEO), an empanelled organisation of the GoI for the job. However, assessment in respect of the present case was not found on record. While accepting the audit observation (November 2016), the UDHD stated that benefit assessments are done only in respect of big projects such as power project and assured that the same would be included in future, if specific directives are received. But the fact remained that the requirement for preparing the Project Benefit Assessment was included in the JNNURM guidelines and was therefore, mandatory. Hence, no further specific directives was required in this regard as mentioned in the reply.

- The Toolkit regarding preparation of DPR required that the title of the land should be clear and unencumbered and the DPRs were to contain an assessment of utilities which would have to be shifted, the list of clearances and agencies from whom those clearances were to be obtained. Scrutiny revealed that the Sewerage Project at Jorethang remained incomplete (November 2016) for want of land for setting up of the treatment plant and Sewerage Project at Melli was delayed by two years due to delay in finalisation of land. The WSPHED stated (November 2016) that the DPRs were prepared after conducting detailed survey and receipt of assurances from the general public and the elected representatives. But the fact remained that the documents to establish the fact that detailed survey had been conducted and assurances had been received from the general public and the elected representatives could not be furnished to Audit.

The above facts indicated that the preparation and vetting of DPRs was done without due diligence which resulted in implementation of the project in non-Mission city and delayed implementation of the projects due to want of land.

2.3.9.5 Financial outlay

Budget provision, funds received from GoI and State Government and expenditure there on are shown below:

Table 2.3.2

(₹ in crore)

Year	OB	Funds received		Interest and other receipts	Total	Expenditure	CB
		GoI	State				
2011-12	5.82	19.30	0.03	0.48	25.63	16.12	9.51
2012-13	9.51	39.94	1.72	1.22	52.39	40.80	11.59
2013-14	11.59	32.79	0.30	0.86	45.54	31.30	14.24
2014-15	14.24	6.49	6.77	1.29	28.79	11.21	17.58
2015-16	17.58	3.41	12.49	1.18	34.66	11.13	23.53
Total		101.93	21.31	5.03		110.56	

(i) Separate accounts not maintained

As per guidelines, the implementing agencies were required to open and maintain separate bank accounts for each project in a commercial bank for receipt and expenditure of all money to be received and spent. ULBs/implementing agencies were supposed to maintain registers for utilisation of funds separately for Central and State shares and loan from financial institutions. The nodal agency was to maintain institution-wise and project-wise accounts under the scheme. The nodal agency was also supposed to manage the grants received from Central and State Government, release the funds to implementing agencies either as grant or soft loan or grant-cum-loan and manage the Revolving Fund.

The UDHD being the nodal agency for implementation of various projects under JNNURM, instead of keeping separate accounts for separate projects, maintained only one bank account as the implementing as well as the nodal agency. Although WSPHED had maintained separate bank accounts for all the projects, frequent transfer of funds among the projects were done due to which the financial status of each project could not be ascertained at a glance. Further, funds for the implementation of water supply and sanitation projects were directly received from State Government by the WSPHED without routing it through the nodal agency. There was no readily available figure relating to the funds released by the GoI and State Government as the nodal agency did not maintain the details of funds released by the GoI to the State Government and State Government to the WSPHED. Separate details of funds released as State share for the particular project was also not maintained. Thus, the UDHD being the nodal agency for the State did not follow the guidelines. It could not be ascertained in audit as to how the nodal agency exercised effective control over the fund management of JNNURM in the absence of maintenance of separate details of funds. Further, due to non-maintenance of separate accounts by the UDHD, the project-wise, State Government share released, project-wise expenditure, project-wise interest accrued could not be made available to Audit.

UDHD stated (November 2016) that the original fund allotted to the State for 7 year Mission period was only ₹ 11.00 crore. Looking at the progress of sanction of projects (only two projects till 2009), the UDHD decided to operate a single account. However, the reply of the UDHD was not tenable as during 2007 to 2009 GoI sanctioned total 11 projects valuing ₹ 189.98 crore (UDHD ₹ 53.49 crore for four projects and WSPHED ₹ 136.49 crore for seven projects). Besides, it was mandatory to open separate bank account according to guidelines.

(ii) Short release of State share

Sikkim falls under North Eastern States and as such, the funding pattern applicable for projects under JNNURM was 90 *per cent* as Central share and 10 *per cent* as State share.

WSPHED till March 2016 received entire central share in respect of all seven projects (except two projects whose last instalment was curtailed by 10 *per cent* due to failure in achievement of reforms). However, there was short release of State share amounting to ₹ 1.40 crore in three projects as shown below:

Table 2.3.3

(₹ in crore)

Name of work	Total sanctioned cost	Central share (90%)	State share (10%)	Central share received	State share received	Difference in Central share	Difference in State share
Setting up of sewerage facility in Jorethang Town and Surrounding Area	4.8	4.32	0.48	4.32	0.27	0	0.21
Setting up of sewerage facility in Melli Town and surrounding areas.	3.41	3.07	0.34	3.07	0.14	0	0.20
Up-gradation and Modernisation of Raw Water Main and WTP for Greater Gangtok Water Supply System	72.63	65.36	7.26	58.82	6.27	6.54	0.99
Total							1.40

Short release of State share compelled the WSPHED to utilise the interest earned in two projects contrary to the directives from MoUD.

The WSPHED stated (November 2016) that the WSPHED had approached the Government for providing the State share as required.

(iii) Curtailment of 10 per cent Additional Central Assistance

Due to not achieving of reforms committed by the State Government, the GoI (24 October 2013) withheld 10 per cent Additional Central Assistance (ACA) from the last installment of two projects namely (i) Rehabilitation of sewerage system in Gangtok and (ii) Upgradation and modernisation of raw water main and WTP for Greater Gangtok water supply system and later decided (14 August 2015) not to release the fund. The State Government, till June 2016 received Central share of ₹ 78.20 crore (80 per cent) instead of ₹ 86.90 crore (90 per cent) for the above projects. The WSPHED received total fund of ₹ 65.09 crore (Central ₹ 58.82 and State ₹ 6.27 crore) for the project 'Up-gradation and modernisation of raw water main and WTP for Greater Gangtok water supply system' and incurred an expenditure of ₹ 70.28 crore. The balance amount of ₹ 5.19 crore was incurred from other JNNURM projects. Besides, for the project 'Rehabilitation of sewerage system', the WSPHED received ₹ 18.84 crore and incurred ₹ 18.80 crore leaving a balance of ₹ 0.04 crore. The work had been physically completed but financial closure could not be achieved due to curtailment of Central share. Curtailment of Central share resulted in potential extra financial burden to the State Exchequer as the State Government had to bear the deducted amount of ₹ 8.70 crore to complete the above projects.

(iv) Annual Accounts not prepared

As per Notification dated 26 September 2007, the State Level Nodal Agency was to maintain audited accounts of the funds released under JNNURM. The funds under

JNNURM were released to Nodal Agency (UDHD), WSPHED and SNT. However, as seen from the records, the Nodal Agency had not prepared accounts annually. Instead, it prepared the accounts in bulk for the years 2010-11 to 2015-16 during June 2016 only that too only on the projects implemented by UDHD. This resulted in lack of providing complete financial picture of the entire JNNURM projects.

While accepting the fact, the UDHD stated (November 2016) that the issue raised by Audit would be noted for future compliance.

(v) Delay in transferring funds to the implementing agencies

As per MoF sanctions/release orders, the State Government was to transfer the Central funds along with its matching share to the implementing agencies immediately. However, Audit scrutiny of selected projects revealed that there were delays in transfer of funds ranging from two days to 209 days (funds were not routed through SLNA but directly released to implementing agencies) as detailed in **Appendix 2.3.2**. Further, the State share was also delayed by 58 to 1,487 days (WSPHED) in contravention of the orders of the GoI.

The State share contribution could not be identified and segregated in cases of the projects implemented by UDHD as the funds for all the projects were maintained in one account.

The UDHD stated that the delay in transferring of funds was due to absence of budget provision, delay in tendering process, delay in issue of work order, etc. But the fact remained that there was delay in release of funds.

(vi) Accrued interest not deposited

As per the direction from the MoUD (May 2012), the State Government was required to credit interest receipt into Government Interest Receipt Head in order to bring back the same to Consolidated Fund of India.

An amount of ₹ 4.81 crore (UDHD: ₹ 3.27 crore and WSPHED: ₹ 1.54 crore) was earned as interest as on 31 March 2016 but was not deposited in Government account as per the direction of the MoUD.

While accepting the fact, the UDHD and WSPHED stated (November 2016) that the accrued interest was utilised as State share payment as there was shortfall in the release of State share from the State Government.

(vii) Irregular diversion of project fund

Audit scrutiny revealed that the UDHD and WSPHED diverted JNNURM funds amounting to ₹ 2.04 crore for repair and miscellaneous works in others areas, procurement of vehicles, etc. which was beyond the ambit of the projects. The expenditure incurred was not related to JNNURM as detailed in **Appendix 2.3.3**.

This resulted in irregular diversion of fund amounting to ₹ 2.04 crore which in turn effected the implementation of the projects, as this amount could have been profitably utilised for providing potable drinking water facilities for Integrated Housing and Slum

Development of notified slum area at Rangpo-Gangtok-I under BSUP and Integrated Housing and Slum Development at Old Slaughter House area under BSUP Phase-I.

The UDHD stated (November 2016) that the expenditure had been incurred from the contingency provision of the sanctioned project without affecting the objective of the Schemes and with prior approval and sanction of the competent authority. Since the expenditure incurred had been duly regularised by the approval so obtained, there had been no diversion of the fund. The UDHD, however, assured that the revision would be done to the extent of diversion in the respective sanctioned estimates. The reply was not acceptable as the contingency was meant for meeting unforeseen expenditure of the particular project and not for other un-related projects.

2.3.9.6 Delay in completion of the projects

Under JNNURM, 13 projects (four projects under UIG, five projects under UIDSSMT, three projects under BSUP and one project under IHSD) amounting to ₹ 212.87 crore were sanctioned in Sikkim. All the projects were scheduled to be completed within March 2016. Till August 2016, only four projects (1³ - UIG, 1⁴-UIDSSMT and 2⁵ - BSUP) had been completed. However, out of the four projects, sewerage facility in Melli town and surrounding areas had not been commissioned and Rehabilitation of sewerage systems in Gangtok was not financially closed due to curtailment of funds by GoI.

Not a single project was completed within the scheduled time due to various reasons such as non-availability of land and forest clearance, occurrence of earthquake, etc. The details of the five test checked projects which are either ongoing or have not been commissioned are given below:

(i) Setting up of sewerage facility in Jorethang Town and surrounding areas

The sewerage facility and construction of STP at Jorethang Town and surrounding areas at a cost of ₹ 4.80 crore was sanctioned by the State Level Sanctioning Committee (SLSC) during November 2007. Accordingly, the civil portion of work valuing ₹ 1.21 crore was tendered and awarded (March 2009) to lowest bidder at the estimated cost with scheduled date of completion within 24 months (March 2011) from the date of issue of work order.

Scrutiny of records (May 2016) revealed that after executing the work valuing ₹ 3.20 crore (civil works ₹ 1.18 crore and material ₹ 2.14 crore) the work was stopped from August 2013 due to non-suitability of the proposed land for setting up of the STP as the selected land remained fully flooded during monsoon although 95 *per cent* of the sewer line had been laid. Meanwhile, the WSPHED proposed to shift the STP to a new location for which the Circle/Division Office submitted additional estimate to the tune of ₹ 2.41 crore. The new location for the STP had not been finalised till November 2016.

³ Rehabilitation of sewerage systems in Gangtok.

⁴ Setting up of sewerage facility in Melli Town and surrounding areas.

⁵ Integrated housing and slum development at slaughter house area, Phase-I and II.

Thus, after incurring an expenditure of ₹ 3.20 crore, the work was physically stopped since August 2013 due to non-finalisation of STP site.

The WSPHED stated (November 2016) that efforts were being made to finalise the new location for setting up of STP. However, the fact remained that improper survey in selection of site led to not providing of intended benefits to the public despite incurring of ₹ 3.20 crore.

(ii) Setting up of sewerage facility in Melli Town and surrounding areas

The sewerage facility and construction of STP at Melli and surrounding areas was sanctioned at a cost of ₹ 3.41 crore and civil portion of work valuing ₹ 1.27 crore was tendered (January 2009) and awarded (March 2009) to a contractor at the estimated cost with scheduled date of completion within 24 months from the date of issue of work order.

Although the work was stated to have been completed during November 2013, it was delayed by two years owing to delay in finalisation of site for STP. It was noticed that even after a lapse of three years, the sewerage connection from household to manhole chambers had not been connected due to reluctance of the beneficiaries as they had constructed their own septic tank. Joint physical verification (15 July 2016) revealed that one main manhole chamber was completely buried in a garden while carrying out beautification work at Melli Town. Besides five other manhole chambers were found damaged. The beneficiaries had constructed their own septic tank for disposal of sewerage and were reluctant to connect their sewerage lines with the line of STP. This indicated that the gap analysis of the town for requirement of infrastructure was not done.

While accepting the fact, the WSPHED stated (November 2016) that a public awareness campaign was held (24 September 2016) at Melli Town for connection of sewerage system from individual households to the main sewerage network.

(iii) Augmentation of Mangan Water Supply Scheme

The Cabinet accorded (July 2008) administrative approval and financial sanction of ₹ 15.81 crore for the work 'Augmentation of Mangan Water Supply Scheme, North Sikkim' under UIDSSMT. The work was taken up (October 2008) by the WSPHED to tide over the shortage of drinking water supply to the increased population especially during lean period. It was noticed that the project which was supposed to be completed by October 2009 remained incomplete as of August 2016 although entire sanctioned cost (₹ 15.81 crore) had been expended. Audit could not ascertain and analyse as to where the earmarked funds were spent or diverted and the reasons for non-completion of the project since the records of the project were stated to have been seized by the Vigilance Department, GoS.

Thus, the project remained incomplete despite incurring ₹ 15.81 crore and more importantly, benefits envisaged in the project to make drinking water available to increased population remained unfulfilled.

The WSPHED stated (November 2016) that the work could not be completed due to natural calamity (earthquake of September 2011, monsoon 2012 and 2013 and flash flood

at main source). The reply was not convincing as even after a lapse of seven years from the scheduled date of completion, the work remained incomplete even after spending ₹ 15.81 crore but no further steps were taken by the WSPHED to complete the work.

(iv) Rehabilitation of sewerage system in Gangtok

The work 'Rehabilitation of sewerage system in Gangtok' at the cost of ₹ 23.92 crore was sanctioned (July 2008) by the Cabinet. The work was split into three parts and the status of the works as of August 2016 was as follows:

a) Rehabilitation of sewer main lines along Tibet road, MG Marg and New Market

Sanctioned at a cost of ₹ 3.09 crore. The work commenced in April 2008 and was scheduled to be completed by June 2008 but was actually completed in February 2009.

b) Rehabilitation of trunk lines all along NH 31A from Hospital Dara to STP Complex at Adampool

The work was sanctioned at a cost of ₹ 15.56 crore. Records pertaining to this work were seized by the State Vigilance Department for investigation. However, as per Monthly Progress Report the work was stated to have been completed and was being used.

The WSPHED stated (November 2016) that the work was completed in all respects but financial closure could not be done due to non-receipt of vigilance clearance.

c) Extension of Sewer Trunk Network below NH 31A (5th and 6th Mile) Phase I

The work was sanctioned at a cost of ₹ 5.22 crore and awarded (March 2008) to the contractor at the estimated cost with the scheduled date of completion by March 2009. The physical progress of the work was completed as of March 2016 after a delay of seven years due to land dispute with land owner, vigilance cases, traffic interruption, etc. and was being used. But financial closure could not be completed as contractor was not paid the bill. This was a result of non-release of its share by GoI as mandatory reforms under JNNURM were not achieved.

The WSPHED stated (November 2016) that the financial closure could not be done due to fund constraint.

(v) Upgradation and Modernisation of Raw Water Main and WTP for Greater Gangtok Water Supply System

The work 'Upgradation and Modernisation of Raw Water Main and WTP for Greater Gangtok Water Supply System' sanctioned at a cost of ₹ 72.63 crore was awarded (November 2010) to KNB Consortium to complete within 18 months from the date of work order. The WSPHED after curtailment of 10 per cent of Central share, received fund of ₹ 65.09 crore (₹ 58.82 crore Central share and ₹ 6.27 crore State share) till March 2016. It was noticed that the work remained incomplete (physical progress 92 per cent) and financial progress of work was recorded (March 2016) as 98 per cent after incurring an expenditure of ₹ 70.28 crore as against the fund received of ₹ 65.09 crore. WSPHED utilised extra amount of ₹ 5.19 crore from other JNNURM projects, the exact project from which the amount of ₹ 5.19 crore was utilised could not be ascertained in audit due to frequent transfer of funds among seven JNNURM projects implemented by WSPHED.

The reasons for slow progress were delay in obtaining forest clearance and disruption caused by earthquake of September 2011.

The WSPHED assured (November 2016) to complete the work by December 2016.

2.3.9.7 Effectiveness in implementation of the schemes

(i) Integrated Housing and Slum Development for notified slum area of Singtam

The work 'Infrastructure Development works for notified slum area at Singtam,' *inter-alia* consisted of the following components and was sanctioned (December 2009) at a cost of ₹ 19.91 crore:

a) The work was tendered (May 2010) and awarded (August 2010) at the estimated cost to a contractor to complete within 24 months, i.e. August 2012. Although the scheduled date for completion of the project had already elapsed, it was seen that in the midst of the execution, a team consisting of area MLA, Secretary along with the Engineers of the UDHD inspected (September 2013) the site and decided to revise the DPR with some additional components. Accordingly, the estimate was revised to ₹ 26.56 crore which was approved (January 2014) by the Cabinet. However, no approval for the revised DPR was obtained from GoI. As of March 2016, against the sanctioned cost of ₹ 26.56 crore, ₹ 24.49 crore (92 *per cent*) was incurred with a physical progress of 97 *per cent*.

The UDHD stated (November 2016) that the increase in cost of ₹ 6.65 crore was provided by the State Government and as such it was not felt necessary to seek approval of GoI.

b) As per decision taken in the 26th meeting held on 20 December 2007, the Central Sanctioning and Monitoring Committee (CSMC) had adopted that a reasonable percentage i.e. 50 to 60 *per cent* under BSUP and IHSDP should be for housing and remaining percentage for infrastructure to ensure that more number of houses would be constructed to accommodate the poor under JNNURM. However, the construction of new houses was not considered on the ground of non-availability of land. In the DPR, it was explained that the house construction would be undertaken through '10 *per cent* lump sum infrastructure development of NER' scheme but no action was initiated for construction of houses.

Thus, the objective of slum development programme remained defeated due to not prioritising the construction of houses for the poor slum dwellers. The deteriorating condition of houses in the slums noticed during physical verification are given below:



The UDHD stated (November 2016) that due to non-availability of land, no new construction of houses was proposed in the sanctioned estimate. However, the fact remained that even after incurring such a huge expenditure on the project, basic required need of housing to the slum dwellers could not be provided.

c) Results of physical verification

Joint physical verification of executed component of works (original and revised) conducted on 28 June 2016 revealed the following deficiencies:

- ***Irregular expenditure on land development work***

The UDHD executed land development work below ATTC at Shanti Nagar, Singtam outside the notified slum area beyond the ambit of the guidelines. The work executed was levelling of land. Thus, the execution of work outside the slum area resulted in an irregular expenditure of ₹ 23.52 lakh.

The UDHD stated that the playground was developed at Shanti Nagar which was readily accessible through the recently constructed walkway. The reply was not tenable as the work was undertaken outside the slum area far away from the notified area.



Land Development work at Shanti Nagar

- ***Installation of pathway lightning***

It was noticed during physical verification that not a single street light on the inner slum area was provided as incorporated in the DPR. The UDHD instead installed 150 solar lights at a cost of ₹ 61.05 lakh (@ ₹ 40,700 per solar light) on the footpath along river side. Of these, some street lights were out of order on account of the fact that the lights did not receive adequate sunlight as they were installed in shades and some lights did not function due to lack of maintenance. Hence, installation of solar lights on the pathway measuring around 2 kms beyond the area of slum residents was injudicious and unproductive. The UDHD stated (November 2016) that during the execution of the Project, the Energy and Power Department installed street lights in the inner slum areas from their own funds. Due to this, Department installed eco-friendly solar lights along the footpath by the river. Reply was not acceptable as during joint inspection it was seen that not even a single street light on the inner slum area was provided.

- ***Construction of Informal Market Shed not done***

As per DPR, 15 units of 'Informal Market Shed' at a cost of ₹ 53.70 lakh was to be constructed for slum dwellers for sustainability of their livelihood. However, the same was omitted in the revised project depriving the much needed component under the slum development programme. Instead of important component which was meant for the sustainability of livelihood of the slum dwellers, the UDHD executed beautification works.

The UDHD stated (November 2016) that as against the provision for construction of 15 livelihood centres, National Building Construction Corporation was constructing a new

multilayer livelihood centre at the designated location. Hence, the slum dwellers were not deprived of the facilities. However, no such documentary evidence could be produced to Audit.

d) Constitution of Bustee Works Management Committee

For formulation and implementation of 'Operation and Maintenance Plan for Slum Level Infrastructure Work', the assets created in slums were required to be properly used and maintained. For this purpose, each Nagar Panchayat (NP) was supposed to formulate and implement a full resourced 'Operation and Maintenance Plan' for each slum where infrastructure works had been undertaken. Under this Plan, Bustee Works Management Committee (BWMC) was to be constituted. The BWMC would consist of minimum five members (including two female members) all of whom would be resident of that particular slum. The BWMC would be authorised by the NP to raise fund for operation and maintenance.

However, it was seen that there was no documentary evidence that the UDHD had constituted such Committee. Further, during the interaction (28 June 2016) with the beneficiaries as well as NP, no such BWMC was ever found constituted. In its absence, the operation and maintenance of assets remained uncertain.

The UDHD stated (November 2016) that it was in the process of constitution of BWMC in consultation with respective ULB.

(i) Integrated Housing and Slum Development of notified slum area at Rangpo Gangtok-I under BSUP

With a view to provide basic services to the urban poor slum dwellers under JNNURM, the work 'Integrated Housing and Slum Development of notified slum area at Rangpo-Gangtok-I under BSUP, East Sikkim' was sanctioned at a cost of ₹ 25.17 crore and awarded (January 2010) to a contractor with the scheduled date of completion within 24 months. Till March 2016, an amount of ₹ 15.57 crore had been spent with a physical progress of 74 per cent. Execution of the project revealed the following:

a) Implementation of project under BSUP in non-Mission city

In Sikkim, Gangtok was selected as a Mission city. However, UDHD proposed to take up the BSUP project meant for Gangtok in Rangpo (a non-Mission city). Scrutiny of records revealed that the name of the city was shown as Gangtok-Rangpo-I which was misleading as Gangtok (Mission town) and Rangpo (non-Mission town) are two separate towns. They were not even adjacent to each other, located 40 kms apart. This project was approved by the CSMC on 28 January 2009 at a total cost of ₹ 25.17 crore with a stipulation that first instalment of ACA would be released on receipt of approval from SLSC. While the approval of SLSC was not on record, the project had been implemented at Rangpo. Hence, implementation of the project in non-Mission city not only resulted in deprival of housing to the slum dwellers of Gangtok (Mission city), having five slum areas with population of 3,660 but also defeated the very objective of the Mission of fast track development of Mission city.

The UDHD stated (November 2016) that the Sikkim State Authority for Planning and Development Bill 2007 was passed in the Assembly. Following the principle of the Bill, Greater Gangtok Planning Area (GGPA) was conceptualised and Rangpo, Singtam, Pakyong and Gangtok were to form a part of GGPA. The reply, however, was not acceptable due to the fact that Rangpo had been selected under UIDSSMT (project for non-Mission city) after passage of the Bill in 2007 and sewerage projects were being implemented under the said programme.

b) Allotment of dwelling unit

In Rangpo, 58, out of 202 dwelling units planned, had been completed while remaining dwelling units were under progress. Out of 58 completed dwelling units, 40 units were allotted but only 16 units had been occupied. The reasons for 24 units remaining unoccupied were not on record. Hence, even after completion of 58 dwelling units, only 16 families had so far derived the actual benefits of the project, the remaining 42 entitled families were deprived of the actual benefits of the project (November 2016).

The UDHD stated (November 2016) that all the 58 units were occupied. However, no documentary evidence for occupation of housing units could be produced to Audit.

c) Outcome of joint physical verification report

Joint physical verification with the departmental officers conducted on 29 June 2016 of the Project revealed that 16 units were occupied by the slum dwellers and the remaining units were lying vacant. Further examination revealed that there was no connection for potable water in the units. Arrangement had been made for potable water by collecting it from bore-well, which was not treated and suitable for human consumption (**Image 2.3.5**). The window panes in five units (occupied) got detached which indicates poor quality of work (**Image 2.3.6**). Moreover, seepage was noticed in the building (**Image 2.3.7**).



Thus, allotted beneficiaries were also compelled to live in an unhygienic environment.

The UDHD stated (November 2016) that drinking water to the beneficiaries had been arranged through temporary WSPHED connection and instruction to ULB had been given to regularise the same and the contractor was directed to repair the broken window panes.

(iii) Integrated Housing and Slum Development at Old Slaughter House area under BSUP Phase-I

The work 'Integrated Housing and Slum Development at Old Slaughter House area under BSUP Phase I, East Sikkim' was sanctioned at a cost of ₹ 3.88 crore and was awarded (January 2009) at a tendered cost to a contractor with the scheduled date of completion within 24 months from the date of work order. The housing units consisted of five blocks comprising of three blocks with 10 units each and two blocks with 11 units each totalling 52 units. Till March 2016, an amount of ₹ 3.76 crore (97 per cent) was incurred with a physical progress of 93 per cent. Execution of the project revealed the following:

a) Outcome of joint physical verification report and beneficiary survey

Joint physical verification (30 June 2016) of Integrated Housing and Slum Development at Old Slaughter House area under BSUP Phase-I Project revealed the following:

- Out of 52 units, only 34 units were found occupied.
- There was no provision of potable water supply. Water was arranged by beneficiaries themselves from different sources.
- No community waste-bin was found erected or placed nearby. Wastes were disposed on payment of ₹ 100 per month to the Gangtok Municipal Corporation.
- BWMC was not formed for ensuring the operation and maintenance of the infrastructure.

The UDHD should have made provisions of potable water for the beneficiaries and should have facilitated the formation of BMWC for operation and maintenance of infrastructure. Absence of BWMC resulted in risk of deterioration of the infrastructure.

The UDHD stated that allotment of remaining 18 houses was under process. Fund for external water supply was transferred to WSPHED and the work had been completed. Further, the provision for community dust-bin was not kept in the estimates and constitution of BWMC was under process.

b) Dwelling units not allotted to the rightful beneficiaries

As per guidelines, the survey of slums and potential beneficiaries for coverage under BSUP and IHSDP projects is a must for the meaningful formulation of DPRs. The States/UTs should go in for issue of bio-metric identity cards to beneficiaries. Each DPR should be accompanied by a list of beneficiaries based on the socio-economic survey. Efforts should be made to develop slums inhabited predominantly by SCs, STs and other weaker sections living in sub-human conditions. States/ULBs should ensure that houses under BSUP and IHSDP are provided to the needy and the properly targeted sections. The list of the beneficiaries should be notified and placed in the website of the ULB/JNNURM.

However, the UDHD did not undertake any biometric identification of the beneficiaries, instead simply the list of slum residents in that particular slum area was included in the DPR. As seen from the records of allotment of the 52 dwelling units under the project at

Slaughter House area, only one, out of 263 beneficiaries of that particular slum initially incorporated in the DPR, was allotted the dwelling unit (November 2015).

Out of the 52 dwelling units completed and allotted, 18 numbers of allottees were tenants of a building which was acquired by the Government (March 2011) for proposed construction of car parking near M G Marg and rest of the allottees were from different rural places of Sikkim. Further, three of the allottees were allotted housing units purely on letter of recommendation. The UDHD never verified the socio-economic condition or livelihood profile of the allottees. Thus, genuine slum dwellers of the area were deprived of allotment of houses and the object of eradicating the urban slum was not achieved.

The UDHD stated (November 2016) that out of 202 selected beneficiaries, only 152 beneficiaries underwent biometric identification. However, no documentary evidence of 152 beneficiaries who had undergone biometric identification could be produced to Audit and only one of the 263 beneficiary was allotted a dwelling unit.

2.3.9.8 Monitoring and evaluation

(i) State Level Nodal Agency

As per Notification dated 26 September 2007, the function of the State SLNA was to manage funds received from the Central and the State Government as per the financing pattern given in the guidelines, maintain audited accounts of the funds released and monitor the implementation of reforms and infrastructure projects, etc.

However, scrutiny of records revealed that the funds received from Central and the State Governments were released directly to the implementing agencies and were not routed through the SLNA. Hence, disbursement of funds was not done as per the guidelines.

The SLNA could not produce any documentary evidence showing either the monitoring mechanism devised by SLNA or the actual monitoring done by the SLNA which implied that the SLNA had not monitored the implementation of reforms and infrastructure projects that led to irregularities and delay in implementation.

The UDHD stated (November 2016) that SLNA was headed by Secretary, UDHD and Joint Secretary/nodal officer was the member secretary. All the Utilisation Certificates (UCs) and the progress report were submitted to the nodal officer and after being vetted by the SLNA were sent to Ministry. They further stated that absence of documentary evidence cannot negate the monitoring duties performed by SLNA. But the fact remained that there was no documentary evidence showing monitoring done by SLNA and there were inordinate delays in implementing the projects.

(ii) State Level Sanctioning Committee

As per Notification dated 26 September 2007 issued by the Home Department, GoS, the SLSC was expected to:

- Examine and approve project reports submitted by the implementing agencies taking into account the appraisal reports. The committee would assign higher priority projects relating to water supply including sanitation, sewerage, solid waste management, road network and drainage.

- Periodically monitor the progress of sanctioned projects/schemes including fund mobilisation from financial institutions.
- Review the implementation of schemes keeping in view its broad objectives and ensure that the programmes taken up were in accordance with the guidelines laid down.
- The SLSC should meet as often as required but should meet at least thrice in a year without fail and review the progress of ongoing projects and sanction new projects, etc.

Scrutiny of records relating to WSPHED revealed that three out of five sewerage projects, remained incomplete till May 2016. Moreover, sewerage projects in Namchi and Jorethang remained half-done as STP sites had not been finalised. The SLAC sanctioned the projects without ensuring availability of the land for the STP. The water supply project at Mangan was under the investigation by the State Vigilance Department. The allotment of the dwelling units under the scheme BSUP-I at slaughter house area were not in accordance with the prescribed guidelines. No documentary evidence was shown to audit regarding monitoring through meetings of SLC.

The UDHD stated (November 2016) that the various issues regarding JNNURM projects were put up to the Chairman, SLSC/Hon'ble Chief Minister at various points of time.

The number of meetings held by the SLSC and minutes were not produced to Audit. Hence, the effectiveness of the involvement of the SLSC in ensuring that the schemes were taken up as per the guidelines could not be examined in Audit.

(iii) District Level Review and Monitoring Committee not constituted

As per guideline, District Level Review and Monitoring Committee (DLRMC) were to be constituted with a view to fulfilling the objective of ensuring satisfactory implementation of project and reforms under JNNURM. The DLRMC should meet quarterly and conduct review of implementation of projects and reforms, guide the departments on the implementation of projects relating to infrastructure and services as well as implementation of reforms, etc. But the DLRMC had not been constituted to guide the departments for proper implementation of the projects and reforms.

The UDHD stated (November 2016) that owing to size of the State, it was decided not to form DLRMC.

But the fact, however, remained that the formation of DLRMC was mandated in the guidelines of JNNURM.

(iv) Incorrect reporting to GoI

Scrutiny of allotment records of dwelling units in respect of Integrated Housing and Slum Development of Notified Slum area at Rangpo-Gangtok-I under JNNURM revealed that till June 2016, only 40 (16 in May 2015 and 24 in May 2016) dwelling units were actually allotted (16 beneficiaries had already occupied and 24 units had not been occupied) the reason for which was not on record. But the progress report sent to the Ministry for the

month of March 2016, incorrectly showed that 58 units were allotted. Reasons for incorrect reporting was not on record.

The UDHD stated (November 2016) that allotment in respect of all the 58 units were already made and the same was reported to the Ministry. But the fact remained that the allotment had not even been done upto June 2016 whereas it was reported to the Ministry in March 2016 itself that the allotments had already been made.

(v) Community Participation Fund not established

A Community Participation Fund (CPF) was to be established to engage the community in the process of JNNURM with the objective to encourage innovation at local level. A Community Development Network (CDN) aims at participation of the poor through network of Community Development Security (CDS), Self Help Groups (SHG) and other community level organisations for poverty reduction and livelihood development. The network had to play a key role towards building up of vision of JNNURM through participatory techniques towards achieving slum free and poverty free city agenda. However, it was seen that no such fund was established.

The UDHD stated (November 2016) that the concept of SHGs in urban area was not very encouraging. However, the concept of CDN had been actively carried out in Rajiv Awas Yojana (RAY) and Housing for All-2022 (HFA) scheme. The reply was not convincing as CPF and CDN were not established till November 2016 and no records relating to CDN carried out in RAY and HAF-2022 schemes were produced to Audit.

(vi) Discrepancy in returns submitted to GoI and State Government

Out of 13 projects sanctioned by GoI under various components like UIG, UIDSSMT, BSUP and IHSDP of JNNURM, seven projects under the component of UIG (2) and UIDSSMT (5) were to be implemented by WSPHED. The project-wise Quarterly Progress Report (QPR) alongwith UCs in respect of seven works were submitted to Nodal Agency (UDHD) till quarter ending December 2014 for onward transmission to the GoI and thereafter no reports were submitted. Reasons for non-submission of reports were not on record. Further, in the returns submitted by WSPHED, it was noticed that there was discrepancy between figures shown in QPR and UCs with that of departmental cash book/pass book regarding the State Government share's received and expenditure incurred.

In five out of seven cases, the UCs showed more receipt of State share, ranging from ₹ 0.06 crore to ₹ 1.84 crore than those recorded in the Cash Book and in one case, receipt of State share was shown as ₹ 0.20 crore less than the figure of the Cash Book. Similarly, in five cases expenditure shown in the UCs was more than those recorded in the Cash Book, the excess ranged from ₹ 0.06 crore to ₹ 0.25 crore and in one case, the UCs showed less expenditure by ₹ 4.06 crore as compared to the figure of Cash Book.

Similarly, while submitting the Progress Report of March 2016 by WSPHED to the State Government, expenditure was shown more in five projects and less in one project than the expenditure shown in their respective Cash Books.

The above fact indicated that the WSPHED was lackadaisical in their approach in submitting the returns which contained primary data for desk monitoring of the schemes. Reconciliation of returns, UCs and Cash Books was not done to avoid misrepresentation of facts and figures. Possibility of misutilisation/misappropriation of the funds cannot be ruled out in audit.

(vii) Appointment of Independent Review and Monitoring Agency

GoI appointed (November 2009) National Consultancy for Planning and Engineering (NCPE) based in Hyderabad as Independent Review and Monitoring Agency (IRMA) for Sikkim. The IRMA was required to visit the project sites periodically, draw up the report, discuss the same with the project management team and forward the report to the SLNA and Mission Directorate. The reporting was to be done on the basis of standard check lists covering various activities in all stages of the project development cycle and specific for each sector.

An agreement was entered (April 2010) between the GoS and NCPE, Hyderabad. The NCPE submitted (July 2011) Pre-construction Stage Report to SLNA based on review of various documents such as project design documents, site preparation and clearances to begin construction, project management mechanisms, etc. in respect of three projects, viz. Rehabilitation of Sewerage System in Gangtok, Augmentation of Mangan Water Supply Scheme and Upgradation and modernisation of Raw Water Mains and WTP for greater Gangtok Water supply system. However, reports of IRMA in respect of above projects were not available in the records produced to Audit. In the absence of these reports, Audit could not ascertain the actual findings of IRMA and action taken note/report initiated by the WSPHED in respect of the findings of IRMA.

Further, NCPE conducted construction stage visit during March 2012 for two projects (i) Augmentation of Mangan Water Supply Scheme and (ii) Upgradation and modernisation of Raw Water Mains and WTP for Greater Gangtok water supply system. ATR of only one project, i.e. Upgradation and Modernisation of Raw Water Mains and Water Treatment Plant for Greater Gangtok Water Supply System was prepared by the WSPHED. Action Taken Report of construction stage was to be submitted within 15 days from the date of receipt of IRMA report but the same was submitted only on 28 May 2013 *i.e.* a delay of 14 months.

UDHD had submitted (November 2016) TPIMA Inspection and Monitoring Report (upto 5th visit) for the period April 2012 to November 2013 in respect of four projects (three projects under BSUP and one project under IHSDP). However, UDHD could not produce to Audit Action Taken Report against the Inspection and monitoring Reports.

2.3.10 Conclusion

It was observed that the mandatory and optional reforms for ULBs were not implemented as per the guidelines of JNNURM and the commitments made in the MoA. Thus, the objective of bringing about reforms in institutional, financial and structural governance of the ULBs to make them efficient, accountable and transparent could not

be achieved as had been envisaged. Non-implementation of the reforms committed by the State Government led to curtailment of funds.

Gap analysis for requirement of infrastructural development was not carried out. Majority of projects were incomplete due to non-availability of land, improper survey of project sites, revision of DPRs, delayed forest clearances etc. Cases of irregular expenditure, avoidable payment and diversion of funds also came to light.

Deficiencies in the process of selection of beneficiaries were observed leading to risk of eligible beneficiaries not getting the benefits of JNNURM. Many completed dwelling units remained un-occupied. Cases of incorrect financial reporting to GoI were also detected.

There were delays in releasing of Central funds from the State to the implementing agencies. It was observed that the State share was not released in full.

Project implementation under the Mission was further affected by lack of monitoring of the projects by the SLSC whereas DLRMC had not been constituted.

2.3.11 Recommendations

On the basis of the Audit findings and conclusion the recommendations are:

- The required reforms should be implemented in order to empower the ULBs;
- Financial management needs to be strengthened to avoid the risks of misappropriation of fund;
- Gap analysis for requirement of infrastructural development to be ensured and arrangement of sites be finalised prior to execution of works;
- Projects should be completed in time with basic facilities so that the benefits envisaged reaches the target population without deviating from the guidelines and dwelling units allotted to genuine beneficiaries so that towns would be slum free;
- Monitoring needs to be strengthened to identify hurdles in implementation of reforms and mitigate it for meeting the intended objective of the scheme.

BUILDING AND HOUSING DEPARTMENT

2.4 Cost overrun and infructuous expenditure

Failure on part of the Department to finalise construction site for a Community Centre at Jorethang led to time overrun in commencement which resulted in cost overrun of ₹ 1.51 crore and also infructuous expenditure of ₹ 46.45 lakh due to change of site.

The Building and Housing Department (BHD), South/West Circle proposed (February 2009) for construction of Community Centre at Jorethang, South Sikkim at an estimated

cost of ₹ 4.23 crore based on Schedule of Rates (SOR) of 2006. The proposal was submitted considering the growing importance of Jorethang as a planned town, a business centre, growing population comprising of different communities with various cultures. Hence, need to organise numerous functions concerning social, political, official, cultural, etc. was felt. The proposal was approved (February 2009) by the Cabinet. The project was initially identified and conceived at the Sikkim Nationalised Transport (SNT) Complex but was not officially informed to the Transport Department till April 2010.

The BHD invited (June 2009) tender and after detailed negotiations with the contractor and obtaining the sanction of the Government (February 2010) for incurring additional cost, awarded (June 2010) the work to the lowest tenderer at ₹ 3.54 crore which was 15 *per cent* above the estimated cost of civil work of ₹ 3.07 crore without finalisation of clear site for execution of the work. As per work order the work was to be completed within 19 months, i.e. by December 2011. A mobilisation advance of ₹ 23.45 lakh was also released (March 2011) to the contractor.

It was seen from the notes of the Chief Engineer (03 August 2010) and Secretary (17 August 2010) of BHD that before the construction work could be taken up, BHD was asked to stop the work as the Urban Development and Housing Department (UDHD), Government of Sikkim came up with a fresh proposal for Development of Green Amusement Park engulfing the proposed area of the Community Centre and its surroundings which necessitated relocation of the approved and sanctioned Community Centre. After searching and identifying suitable plot at various places, a site was finalised at Karfectar in February 2012 and works relating to protective work and site levelling, etc. at a cost of ₹ 46.45 lakh (October 2012) was also executed at the site. Thereafter, the work was abandoned (reasons for this was not available in the records produced for audit) and again a new site near PWD Complex at Jorethang was identified (January 2013) and to have a clear site, proposal for dismantling of existing six units Class III RCC quarters and one unit of independent *ekra* structure Class III quarter was made. Delay in selection of site consequently delayed the execution of works which led to time overrun and resultantly in cost overrun. Accordingly, estimate was revised (June 2015) to ₹ 5.98 crore based on SOR 2012 (inclusive of dismantling cost of existing quarters of ₹ 14 lakh) from its original estimate of ₹ 4.23 crore. In the revised estimate it was seen that 10 components of the work which cost ₹ 3.16 crore in the original estimate were revised to ₹ 4.48 crore due to time overrun, resulting in increase of ₹ 1.32 crore with a total impact of ₹ 1.51 crore (₹ 1.32 crore *plus 15 per cent* above the estimated cost). Though the scheduled time for its completion had already elapsed, no time extension was given to the contractor. The work had commenced (September 2013) at new site with 15 *per cent* physical progress as of September 2016.

Thus, due to change of site, the works executed at Karfectar site worth ₹ 46.45 lakh proved infructuous. Further, delay in execution of work and time overrun required revision of estimate which had resulted in a cost overrun of ₹ 1.51 crore, creating an extra burden on the State Exchequer apart from denial of benefits of using Community Centre to the public of Jorethang. Furthermore, due to finalisation of site near PWD Complex,

the existing seven units of Class III quarters had been proposed for dismantling at a cost of ₹ 14 lakh.

The above facts were brought to the notice of the Department/Government (May 2016); their reply had not been received (November 2016).

FOREST, ENVIRONMENT AND WILDLIFE MANAGEMENT DEPARTMENT

2.5 Wasteful expenditure

Failure to achieve the objective of the Catalytic Development Programme for generating employment and earnings and to establish sericulture as a sustainable farm based profession resulted in wasteful expenditure of ₹ 2.61 crore.

Catalytic Development Programme (CDP), a Centrally Sponsored Scheme [80:10:10::Central Silk Board : State Government : Stake Holder (beneficiaries)] related to extension and development of *Mulberry*, *Eri* and *Muga* sericulture sponsored by the Central Silk Board, Government of India was initiated in Sikkim during 2009-10 through the Sericulture Directorate, Forest, Environment and Wildlife Management Department. The main objective of the scheme was to explore sericulture's hidden natural potentiality of Sikkim, to establish sericulture as one of the sustainable professions, to generate employment and earnings to growing population of the State and to create employment opportunity for the local people.

As per the scheme, the beneficiaries were required to plant *mulberry* and *kutmero* trees for rearing silkworms and construct silkworm rearing houses with financial assistance. On completion of construction, they were to be provided with tools and implements and training by the Department. Thereafter, beneficiaries were to be provided with Disease Free Laying (DFL), which will ultimately produce cocoons. Hence, the production of cocoon is based on the DFLs provided to the farmers. The expected production of cocoons per 100 DFLs under *Mulberry*, *Eri* and *Muga* Sectors was 40 kg, 4 kg and 3,000 (in number) respectively.

During 2008-09 to 2014-15, the Government of India released ₹ 4.75 crore for implementation of the scheme in the State, out of which, the Department spent ₹ 2.61 crore on various components such as construction of rearing houses, training, procurement of saplings, tools and implements, etc.

Scrutiny of records (October 2015) revealed that despite the scheme being under implementation for long period (2009-15), expected results were not achieved at all. There was a shortfall in production of cocoon as well as earnings to the farmers in all sectors. Against the total expected production of 12,824 kg on the basis of DFLs issued under *Mulberry* and *Eri* Sectors during 2009-15, the actual production was only 2,464.65

kg. Similarly, against expected production of 29,040 under *Muga* sector, the actual production was only 968. This resulted in shortfall in revenue to farmers by ₹ 0.38 crore under all sectors. The details of expected and actual production are given below:

Table 2.5.1

Name	DFLs provided	Qty. produced	Expected production	Shortfall in production	Rates fetched (₹/kg.)	Revenue earned	Expected Revenue to farmers	Shortfall in revenue
<i>Mulberry</i>	29,955	1,844	11,982 (@40 kg/100 DFLs)	10,138	100-300	2,83,436	35,94,600 (@ ₹ 300/kg)	33,11,164
<i>Eri</i>	21,050	620.65	842 (@ 4kg/100 DFLs)	289.12	50-280	78,524	5,05,200 (@ ₹ 600/kg)	4,26,676
<i>Muga</i>	968	4,233	29,040 (@ 3,000/100 DFLs)	24,807	1	4,233	29,040 (@ ₹ 1/pc)	24,807
Total								37,62,647

No record showing conduct of feasibility study before implementing the programme could be found.

Thus, due to not giving importance to the process of execution, management, monitoring, evaluation and assessment by the Department the programme did not lead to its desired result/outcome and failed to achieve the objective of the CDP even after spending ₹ 2.61 crore on the project (i.e. only on construction of silkworm rearing houses, tools and implements without taking into account the administrative cost and manpower of the Department involved on the Project).

In reply (July 2016), the Department stated that sericulture being new concept, the farmers were in learning stage for the first two to three years of the programme which led to shortfall in production of leaf and cocoon production and accordingly shortfall in revenue. Further, it was stated that the farmers who had adopted sericulture have been provided with all technical guidance and proper training for the project and with the passage of time the national benchmark of cocoon production would be reached within two to three years.

The reply was not acceptable because the project was implemented since 2008-09 and had already completed more than seven years of implementation and substantial amount of funds had already been spent without yielding desired results and it was noticed (as shown in **Appendix 2.5.1**) that in the later years after completion of two/three years of implementation, the production had not increased as claimed but had actually reduced. Besides, the reason for failure of the programme was attributed by the Department in their Annual Report for 2015 mainly to poor leaf quality, outdated technology adopted by the farmers, neglected time schedules and absence of monitoring and supervision by the field functionaries. But no effective action to overcome the problems was found on records.

ROADS AND BRIDGES DEPARTMENT

2.6 Unfruitful expenditure

Lack of effective action against the contractor and a lackadaisical approach on the progress of the work led to unfruitful expenditure of ₹ 1.10 crore.

Construction of Link Road from *Legship-Gyalshing Road km 13th to Bhanu Salik km 1st to 2nd* in West Sikkim was sanctioned under Central Roads Fund (January 2008) at a cost of ₹ 1.93 crore. The work was tendered (May 2008) and the work order was issued to the lowest bidder (August 2008) with a completion time of 24 months. The work was not completed on 2 September 2010 as stipulated. As seen from records, the contractor requested for extension of time on three occasions (September 2011, March 2013 and September 2013). However, reasons for the extension could not be known, as applications for extension could not be traced out. The contractor failed to execute the work despite several reminders. As of January 2016, the work had not progressed any further.

Scrutiny of records (January 2016) revealed that the Department reminded the contractor on many occasions with the intimation of taking action as per the agreement in case of further delay. The contractor did not respond to the notice and abandoned the work since the first extension (September 2011). Last notice was issued in June 2013. Till January 2016, an amount of ₹ 1.10 crore was released to the contractor with a physical progress of 75 per cent. Subsequently, after a lapse of more than one year from the last notice (June 2013), the Department finally instructed the division office to rescind the contract, debar the contractor for participating in any future tender for five years among other action against the contractor. But the work was neither taken up departmentally nor awarded to any other contractor till date of audit (January 2016). The contractor was also not debarred from participating in any future tender.

The Department did not take effective action on the contractor for long and also no concrete step was taken to complete the work. As a result, after incurring an expenditure of ₹ 1.10 crore, the work remained incomplete and deprived the poor villagers of the intended benefit. The expenditure to the tune of ₹ 1.10 crore apart from being unfruitful was coupled with risk of cost escalation due to time overrun.

The matter was reported to the Department (May 2016 and August 2016), reply was awaited (September 2016).

2.7 Unfruitful expenditure

Improper planning of the Department not only led to unfruitful expenditure of ₹ 1.02 crore but also failed to achieve intended objective to provide connectivity to the habitation.

The work 'Construction of bypass road from *Namchi-Phong to Blind School (length: 3.48 km)* was sanctioned (February 2009) under Tribal Sub Plan at an estimated cost of ₹ 2.14 crore. The work with tendered value at ₹ 1.92 crore was awarded to the contractor (Shri Suren Moktan) at 5 per cent above the SOR 2006. The Department issued (March 2009) work order to the contractor to complete within 18 months, i.e. by September 2010. Para 5.1 of Sikkim Public Works Manual (SPWM) stipulated that on receipt of technical sanction to the estimate, action is immediately initiated for taking possession of land acquired by the Government for the purpose and preparation of draft Notice Inviting Tenders is floated. However, Contract was awarded before acquiring the land in contravention of SPWM.

Scrutiny of records revealed (February 2016) that after executing the work upto 2.48 km (out of 3.48 km), the land owner objected to parting with his land through which the road alignment passes. The Department pursued the matter with the District Collector, South District (May 2011) for imposition of compulsory acquisition but the matter was not finalised. Thereafter, the Department attempted alternative options by diverting alignment of road for the remaining one km length, which also remained unsuccessful due to non-availability of suitable land for change in the alignment. Finally, the Circle and Division office of the South District of Department submitted (March 2015) the proposal to the Head Office, Gangtok for closure of the project in midway as all the feasibility to complete the work had been exhausted. However, till April 2016, no concrete action had been initiated by the Head Office for either closure or completion of the work scheduled to have been completed by September 2010 leading to an unfruitful expenditure of ₹ 1.02 crore. As of June 2016, the connectivity could not be established as evident from the blue-print of the road alignment.

The Department stated (June 2016) that the work was stopped since 2011 due to land dispute. However, fact remained that the Department should have acquired the land before tendering the works and to overcome the RoW problem following the dispute, the Department could have acquired the land by invoking Compulsory Acquisition Act for Public purposes. Hence, non-adherence to the provisions of SPWM and non-pursuance for Compulsory Acquisition Act by the Department led to unfruitful expenditure of ₹ 1.02 crore. Besides, the intended objective to provide connectivity to the habitation could not be achieved.

TOURISM AND CIVIL AVIATION DEPARTMENT

2.8 Diversion of fund

The Department irregularly diverted ₹ 3 crore from the provision made under 13th Finance Commission for construction of Sky Walk/Tower at Bhaley Dunga, Yangyang towards Ropeway at Namchi.

With a view to promote tourism potential and to maintain sustainable State's economy through tourism development, the Tourism and Civil Aviation Department (TCAD) proposed to construct 'Sky Walk' at Bhaley Dunga, South Sikkim from the 13th Finance Commission grant. The TCAD highlighted that this will be first of its kind in the country and was expected to be a major tourist attraction as it would be exciting to walk over transparent glass overlooking the skies below, at a height of almost 5,000 ft. The project would thus, have a major impact on infrastructure development and enhance commercial activities in the State. Accordingly, the 13th Finance Commission recommended a grant of ₹ 200 crore, out of which, the Department received ₹ 150 crore with a condition that the practice of diversion of plan assistance to meet non-plan needs of special category states was to be discontinued.

Scrutiny (June 2016) revealed that TCAD paid committed liabilities for '*Construction of Passenger Ropeway at Namchi in South Sikkim*' amounting to ₹ 3 crore by diverting the fund from State Specific Grant under 13th Finance Commission earmarked for '*Construction of Sky walk/Tower at Bhaley Dunga, South Sikkim*'. This resulted in an irregular diversion to the tune of ₹ 3 crore.

The TCAD stated (June 2016) that the diversion of fund was just an internal arrangement to address the immediate dire need and the same would be replenished in near future. The reply was not acceptable as no fund was provided for construction of Ropeway at Namchi during 2015-16 whereas in 2016-17 not only fund was not provided in the budget, even budgetary head for the Project '*Construction of Ropeway at Namchi*' was not incorporated. Hence, it indicated that replenishment was not given a priority.

The TCAD further stated (August 2016) that they were trying to get funds in the second Supplementary Grant of 2016-17.

But the fact, however, remained that an amount of ₹ three crore was diverted from the provision made under 13th Finance Commission.

WATER SECURITY AND PUBLIC HEALTH ENGINEERING DEPARTMENT

2.9 Infructuous expenditure

Despite payment of ₹ 6.27 crore for consultancy work (which included survey, investigation and design) to M/s Empire High Tech Pvt. Ltd. for Namchi Water Supply Project, the project was awarded to another contractor along with the survey and design of the Project rendering consultancy charge infructuous.

To overcome drinking water crisis, the Water Security and Public Health Engineering Department proposed a Comprehensive Drinking Water Supply System for Namchi and its surrounding areas.

The Department floated a national tender (January 2009) which included designing of the entire stretch from source to tail end based on topographical survey of Bermilli khola⁶. Accordingly, work was awarded (December 2009) to M/S Empire High Tech Pvt. Ltd. for design of water supply system from upper Bermelli khola to Namchi town and its surrounding areas. It was awarded at 6 per cent of the actual project cost plus applicable service tax and State tax. The firm had submitted the DPR costing ₹ 94.67 crore and till March 2016, ₹ 6.27 crore was released to the consultant firm.

Audit scrutiny revealed (December 2015) that on the basis of proposal submitted by the State Government, the GoI sanctioned and approved (December 2012) the above project with estimated cost of ₹ 38.22 crore under Non-Lapsable Central Pool of Resources (NLCPR). Accordingly, the NIT was floated which specifically mentioned the inclusion of 'survey, design, construction and commissioning' of the Project. The lowest bid was of ₹ 43.59 crore. The Department negotiated with the contractor saying that the bid exceeded the cost of the project by 45.30 per cent and the contractor responded with the reduction of offer price to ₹ 41.40 crore with further rebate of 5.01 per cent and one-year maintenance contract of the Project. During negotiation, the contractor stated that price offered by him *inter-alia* included that of detailed survey, investigation, drawing and design for each component of work which required employing an expert firm or a consultant by the contractor. After the rebate, the work was awarded (January 2014) to the contractor on Turnkey basis at a total amount of ₹ 41.40 crore. The scope of work thus included 'survey, drawing and design' of the scheme in addition to 'Construction and commissioning of Drinking Water Supply Scheme along with necessary water structure from Bermelli Source I & II and adjoining three sources through gravity flow for Namchi Municipal Council'. The contractor had submitted DPR along with various designs and drawings to the Department for vetting which also corroborated the fact that the scope of work included 'survey, investigation, drawing and design'.

⁶ Bermilli rivulet flowing from the top reaches of the mountains.

Thus, the element of the cost towards survey and design in the payment of ₹ 6.27 crore initially made to M/s Empire High Tech Pvt. Ltd. had been rendered infructuous as the project was awarded to the contractor with the component including '*survey, investigation, drawing and design*' of the Project.

The Department in its reply stated (August 2016) that the consultant was hired for preparation of a complete DPR for submission to funding agency and funding agency in turn put forth the condition of mode of contract to be on Turnkey basis. Further, while finalising the contract, the contractor neither mentioned of the cost of survey and design while forwarding his financial bid for consultancy charges nor had claimed for consultancy charges in the payment schedule. Hence, the Department need not pay nor had paid consultancy charges to the contractor. The arguments put forth by the Department was not tenable as NIT specifically mentioned that it included the '*survey, design, construction and commissioning*' of the Project. While negotiating the tender cost of the project, the contractor also explicitly stated that the project cost included the '*survey, design, construction and commissioning*'. The initial expenditure of ₹ 6.27 crore was rendered futile as the Contractor had to conduct survey and proper design/drawing for various items afresh which was again got approved from the Ministry.

